



State Council of
Higher Education for Virginia

Presentation to the Higher Education Advisory Committee

Definition of Low/Middle Income

*Lee Andes, Asst. Director for Financial Aid
State Council of Higher Education for Virginia*

August 22, 2011

Defining Low and Middle Income

B. Consistent with the objectives of this chapter identified in 23-38.87:10, the Advisory Committee, in consultation with and with assistance from the staff of the Council and such other assistance it may need, shall develop and review at least every five years, in consultation with the respective Chairs of the House Committees on Appropriations and Education and the Senate Committees on Finance and on Education and Health, or their designees, representatives of public institutions of higher education in the Commonwealth, and such other state officials as may be designated by the Governor:

2. Criteria for determining which families qualify as “low-income” and “middle-income” for purposes of 23-38.87:15 and how they relate to federal, state and institutional policies governing the provision of financial assistance to students of such families;

§ [23-38.87:15](#). Need-based financial aid.

Each institution shall include in its six-year plan required by § [23-38.87:17](#) an **institutional student financial aid commitment** that, in conjunction with general funds appropriated for that purpose, provides assistance to students from both low-income and middle-income families. Each institution's six-year plan required by § [23-38.87:17](#) shall take into account the information and recommendations resulting from the review of federal and state financial aid programs and institutional practices conducted pursuant to subdivisions B 2 and C 1 of § [23-38.87:20](#). **The definitions of "low-income family" and "middle-income family" shall be developed and reviewed pursuant to subdivision B 2 of § [23-38.87:20](#).**

Defining Low and Middle Income

3 Possible Approaches

1. Percent of poverty
2. Percentile of adjusted gross income
3. Percentile of EFC
4. *Tuition/Fee/Room/Board as a percent of Adjusted Gross Income*

Defining Low and Middle Income

Percent of poverty

- Federally calculated and annually adjusted
- Takes into account size of family, as well as income
- Already in use by the institutions for other programs
- May be more useful in describing low income than middle income
- Not a concept familiar to most middle-income families

Defining Low and Middle Income

Definitions would then be expressed as some determined percent of poverty.

Examples income-level breakpoints for various percent of poverty:

	<u>Family of 4</u>	<u>Family of 6</u>	<u>Family of 8</u>
100%	\$22,350	\$29,990	\$37,630
150%	\$33,525	\$44,985	\$56,445
200%	\$44,700	\$59,980	\$75,260
300%	\$67,050	\$89,970	\$112,890

Defining Low and Middle Income

Percentile of adjusted gross income

- Very flexible
 - Can be expressed by national or state levels, or by institution
- Annually adjustable
- Easily understood by most families
- Modifications may be necessary to take into account family size

Defining Low and Middle Income

If a percentile of income is used, recommend breaking down in **quartiles** or **quintiles**.

Using US Census Bureau data, sample breakpoints could be:

- \$0 to \$34,999 for low income
- \$35,000 to \$99,999 for middle income

Actual breakpoints depend upon whether using:

- national, state, or institution data;
- income or AGI;
- quartiles or quintiles.

Definition Low and Middle Income

Percentile of Expected Family Contribution

- Federally calculated
- Takes into account income, family size, and other family financial resources
- Can be statewide or institution-specific measure
- Benchmark would most likely have a two-year lag
- Students wouldn't know their individual EFC until they submit FAFSA
- Formula is subject to change in support of federal policies

Definition Low and Middle Income

Tuition/Fee/Room/Board as % of AGI

- Using historical information, the following definitions could be developed:
 - Low income students = TFRB that are 40% or more of family AGI
 - Middle income students = TFRB that are between 20% and 39% of family AGI
- This model can be adapted for the family by taking into account multiple students enrolled in college.
- It is sensitive to adjustments to AGI, number of students in college, and to college costs.

Definition Low and Middle Income

Tuition/Fee/Room/Board as % of AGI

- Family with AGI of \$40,000 & one student in college.
 - If cost of TFRB is \$25,000, the percent is 62.5% and family is considered to be low income for purposes of higher education.
- Family with AGI of \$100,000 & one student in college.
 - If cost of TFRB is approximately \$20,000, the percent is merely 20% and this family is considered middle income for purposes of higher education.
- Family with AGI of \$100,000 & two students in college.
 - If combined TFRB of both students is \$45,000, the percent is 45% and the family is considered low-income for purposes of higher education.